

CIPF Assessment

About CIPF

The Canadian Investor Protection Fund (“CIPF”) was created by the investment industry to ensure that client assets are protected – within defined limits – if a CIPF Member becomes insolvent. Assets include cash, securities, and certain other property, such as segregated insurance funds. CIPF maintains a sizable Fund to meet its coverage obligations. Please refer to the CIPF website at www.cipf.ca to learn more about CIPF and its coverage.

All Dealer Members of IIROC are Members of CIPF and are required to pay quarterly assessments to CIPF.

Assessments

The CIPF Board of Directors determines the Fund size required to meet its coverage obligations and sets a quarterly assessment rate for each Dealer Member. CIPF advises Members of the amount to be paid to IIROC, who collects the assessments on behalf of CIPF. Assessments are due on the March, June, September and December MFR filing dates.

Effective July 1 2007, CIPF introduced a new differential assessment approach that will be phased in over a two-year “working implementation period”. During this period:

Existing Dealer Members and New Dealer Members whose application for Membership was received by IIROC before July 1, 2007, will be assessed, subject to a minimum quarterly assessment of \$1,250 (\$125 for a Type 1 Introducing Broker), the lesser of:

- i. a flat percent, currently 0.1875%, of the Dealer Member’s quarterly revenue; or
- ii. its differential assessment amount, calculated as follows:

Differential Assessment = Dealer Member’s share of industry risk (x)
Assessments to be Collected

Where Dealer Member’s “share of the industry risk” is determined as follows:

$$\text{DAR}_{\text{Dealer Member}} \times \text{CNE}_{\text{Dealer Member}}$$

$$\text{Sum for industry (DAR}_{\text{Each Dealer Member}} \times \text{CNE}_{\text{Each Dealer Member}})$$

Legend:

DAR = Differential Assessment Rate¹

CNE = Client Net Equity

Dealer Members whose application for Membership was received by IIROC after July 1, 2007, will be assessed during the first three years of its IIROC/CIPF membership, two times the

¹ The Differential Assessment Rate is a measure of the Dealer Member’s risk of default relative to the industry. It uses information derived from financial regulatory report filings of the Member, exam reports issued by IIROC, correspondence relating to early warning occurrences, and certain components of the IIROC Financial and Operations Compliance and Business Conduct Compliance risk assessment models that IIROC uses to evaluate the adequacy of the Dealer Member’s operations and supervisory infrastructure in determining the net residual risk score of each of its Dealer Members.

amount as calculated for existing Dealer Members, subject to a minimum quarterly assessment of \$2,500 (\$250 for a Type 1 Introducing Broker).

For more information on CIPF assessments, contact CIPF directly at 416-866-8366, toll-free at 1-866-243-6981, or by email at info@cipf.ca.